

**CAMBRIDGE TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
MARCH 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CAMBRIDGE	County LENAWEE
Fiscal Year End MARCH 31, 2006	Opinion Date MAY 16, 2006	Date Audit Report Submitted to State JUNE 14, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R. RUBLEY, CPA		Telephone Number	
Street Address 133 W MAIN STREET		City MORENCI	State MI
Authorized CPA Signature 		Printed Name PHILIP R. RUBLEY	Zip 49256
		License Number 9223	

**CAMBRIDGE TOWNSHIP  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED MARCH 31, 2006**

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**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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**Using This Annual Report**

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Cambridge Township government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**Overview Of The Financial Statements**

The Township's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Township maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and fire fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary Funds.** The Township maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township has one enterprise fund to account for sewer and water activity.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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**Notes To The Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, recreation and culture and community development.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories; governmental funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Other Information**

The Township has reported under required supplementation information, information about the General Fund and Major Type Funds, and Combining Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Type Governmental Funds.

**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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**The Township As A Whole**

The Township's net assets for the year ended March 31, 2006 increased by 10.19% over the prior year, and management feels that even though the economic conditions have been slightly depressed, that the Township was fiscally able to grow at a rate above inflation. Extensive growth in the township has a direct relationship to this growth.

The governmental activities reflect net assets of \$3,492,702.

By far the largest portion of the Township's net assets (22.86%) reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

**CAMBRIDGE TOWNSHIP NET ASSETS**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>
	<b><u>2006</u></b>	<b><u>2006</u></b>
<b><u>Revenue</u></b>		
Program Revenue:		
Charges for Services	\$ 403,406	\$ 368,984
Operating Grants and Contributions	325,633	---
Capital Grants and Contributions	---	604,268
General Revenue:		
Property Taxes	602,584	---
Grants and Contributions Not Restricted To Specific Program	314,742	---
Interest and Rentals Earnings	63,878	523
Other	4,379	---
<b>Total Revenue</b>	<b><u>1,714,622</u></b>	<b><u>973,775</u></b>
<b><u>Expenses</u></b>		
General Government	374,347	---
Public Safety	755,425	---
Public Works	105,786	417,775
Community and Economic Development	29,814	---
Recreation and Culture	900	---
Interest on Long-Term Debt	---	174,350
Other Functions	28,935	---
<b>Total Expenses</b>	<b><u>1,295,207</u></b>	<b><u>592,125</u></b>
<b>Increase In Net Assets</b>	<b>419,415</b>	<b>381,650</b>
<b>Net Assets Beginning of Year</b>	<b><u>3,073,287</u></b>	<b><u>4,793,013</u></b>
<b>Net Assets End of Year</b>	<b><u>\$3,492,702</u></b>	<b><u>\$5,174,663</u></b>

**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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**CAMBRIDGE TOWNSHIP NET ASSETS**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>2006</u>	<u>2006</u>
Current and Other Assets	\$2,322,146	\$3,657,282
Capital Assets	<u>1,207,945</u>	<u>5,011,766</u>
<b>Total Assets</b>	<u><b>\$3,530,091</b></u>	<u><b>\$8,669,048</b></u>
Long-Term Liabilities Outstanding	\$ ---	\$3,431,089
Other Liabilities	<u>37,389</u>	<u>63,296</u>
<b>Total Liabilities</b>	<u><b>37,389</b></u>	<u><b>3,494,385</b></u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	1,207,945	1,580,677
Unrestricted	1,446,619	3,593,986
Unrestricted - Designated	499,925	---
Restricted	<u>338,213</u>	<u>---</u>
<b>Total Net Assets</b>	<u><b>\$3,492,702</b></u>	<u><b>\$5,174,663</b></u>

**Government Activities**

Government activities increased the Township's net assets by \$419,415.

**The Township's Funds**

Our analysis of the Township's funds begins on Page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Trustee Board and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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**General Fund Budgetary Highlights**

Differences between the original budget and amended budget were insignificant. Actual results in revenue were higher than budgeted, and expenses were significantly lower than budgeted numbers.

**Capital Assets And Debt Administration**

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2006, amounted to \$6,219,711 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Township's investment in capital assets for the current year was 5.73%.

Long-term debt of the Township decreased by \$328,298 (see Note 8 of the basic financial statements). There was no new debt incurred in the fiscal year ended March 31, 2006.

**Economic Factors And Next Year's Budget And Rates**

The Township's budget for 2006-2007 fiscal year has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

**Contacting The Townships Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 302 Conner Street, Onsted, Michigan 49265.

# PHILIP R. RUBLEY

- Certified Public Accountant -

133 W. MAIN STREET • MORENCI, MI 49256

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'s  
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

May 16, 2006

Township Board  
Cambridge Township  
Lenawee County  
302 Conner Street  
Onsted, Michigan 49265

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Cambridge Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cambridge Township management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Cambridge Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

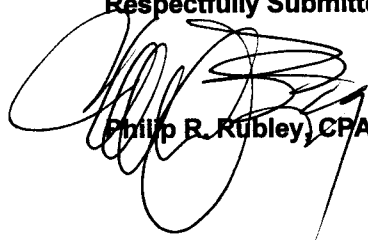
The management's discussion and analysis and budgetary comparison information on pages 1 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cambridge Township basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

**Cambridge Township**  
**May 16, 2006**

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Respectfully Submitted,**

A handwritten signature in black ink, appearing to read "Philip B. Rubley", is written over the printed name.

**Philip B. Rubley, CPA**

PRR/cab

**CAMBRIDGE TOWNSHIP**  
**Government-wide Statement of Net Assets**  
**March 31, 2006**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b><u>Assets</u></b>			
Cash and Equivalents	\$2,236,438	\$ 37,759	\$ 2,274,197
Receivables - Net	72,242	3,619,523	3,691,765
Prepaid Items and Other Assets	13,466	---	13,466
Capital Assets Not Being Depreciated	66,092	---	66,092
Capital Assets Being Depreciated - Net	<u>1,141,853</u>	<u>5,011,766</u>	<u>6,153,619</u>
<b>Total Assets</b>	<b><u>\$3,530,091</u></b>	<b><u>\$8,669,048</u></b>	<b><u>\$12,199,139</u></b>
<b><u>Liabilities</u></b>			
Accounts Payable and Accrued Expenses	\$ 37,389	\$ 63,296	\$ 100,685
Long-Term Liabilities:			
Due Within One Year	---	329,799	329,799
Due In More Than One Year	<u>---</u>	<u>3,101,290</u>	<u>3,101,290</u>
<b>Total Liabilities</b>	<b><u>37,389</u></b>	<b><u>3,494,385</u></b>	<b><u>3,531,774</u></b>
<b><u>Net Assets</u></b>			
Invested In Capital Assets, Net of Related Debt	1,207,945	1,580,677	2,788,622
Unrestricted	1,446,619	3,593,986	5,040,605
Unrestricted - Designated	499,925	---	499,925
Restricted	<u>338,213</u>	<u>---</u>	<u>338,213</u>
<b>Total Net Assets</b>	<b><u>\$3,492,702</u></b>	<b><u>\$5,174,663</u></b>	<b><u>\$ 8,667,365</u></b>

**CAMBRIDGE TOWNSHIP**  
**Government-wide Statement of Activities**  
**For The Year Ended March 31, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<b><u>Governmental Activities:</u></b>					
General Government	\$ 374,347	\$191,665	\$ ---	\$ ---	\$ (182,682)
Public Safety	755,425	195,551	325,633	---	(234,241)
Public Works	105,786	---	---	---	(105,786)
Community and Economic Development	29,814	16,190	---	---	(13,624)
Recreation and Culture	900	---	---	---	(900)
Other Functions	28,935	---	---	---	(28,935)
<b>Total Governmental Activities</b>	<u>1,295,207</u>	<u>403,406</u>	<u>325,633</u>	<u>---</u>	<u>(566,168)</u>
<b><u>Business-Type Activities:</u></b>					
Utilities	417,775	368,984	---	---	(48,791)
Interest Expense	174,350	---	---	604,268	429,918
<b>Total Business-Type Activities</b>	<u>592,125</u>	<u>368,984</u>	<u>---</u>	<u>604,268</u>	<u>381,127</u>
<b>Total</b>	<u>\$1,887,332</u>	<u>\$772,390</u>	<u>\$325,633</u>	<u>\$604,268</u>	<u>\$ (185,041)</u>

**CAMBRIDGE TOWNSHIP**  
**Government-wide Statement Of Activities (Concluded)**  
**For The Year Ended March 31, 2006**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Changes In Net Assets</u></b>			
Net (Expense) Revenue	\$ (566,168)	\$ 381,127	\$ (185,041)
General Revenues:			
Property Taxes and Assessments	602,584	---	602,584
Grants and Contributions			
Not Restricted To			
Specific Programs	314,742	---	314,742
Unrestricted Investment			
Earnings and Rentals	63,878	523	64,401
Other	<u>4,379</u>	<u>---</u>	<u>4,379</u>
<b>Total General Revenues, Contributions and Transfers</b>	<u>985,583</u>	<u>523</u>	<u>986,106</u>
<b>Change In Net Assets</b>	419,415	381,650	801,065
<b>Net Assets, Beginning of Year</b>	<u>3,073,287</u>	<u>4,793,013</u>	<u>7,866,300</u>
<b>Net Assets, End of Year</b>	<u><u>\$3,492,702</u></u>	<u><u>\$5,174,663</u></u>	<u><u>\$8,667,365</u></u>

**CAMBRIDGE TOWNSHIP**  
**Governmental Funds**  
**Balance Sheet**  
**March 31, 2006**

	<b><u>General Fund</u></b>	<b><u>Fire Fund</u></b>	<b><u>Police Fund</u></b>
<b><u>ASSETS</u></b>			
Cash and Cash			
Equivalents	\$1,099,614	\$627,614	\$417,430
Prepaid Expenses	3,457	5,784	4,225
Receivables - Net	28,239	15,918	15,903
Due From Other Funds	<u>104,810</u>	<u>3,002</u>	<u>---</u>
<b>Total Assets</b>	<b><u>\$1,236,120</u></b>	<b><u>\$652,318</u></b>	<b><u>\$437,558</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable/			
Accrued Liabilities	\$ 24,392	\$ 4,220	\$ 8,777
Due to Other Funds	---	15,214	80,416
Deferred Revenue	<u>3,391</u>	<u>4,349</u>	<u>4,334</u>
<b>Total Liabilities</b>	<b><u>27,783</u></b>	<b><u>23,783</u></b>	<b><u>93,527</u></b>
<b><u>FUND BALANCES</u></b>			
Unreserved	708,412	628,535	97,598
Unreserved - Designated	499,925	---	---
Restricted	<u>---</u>	<u>---</u>	<u>246,433</u>
<b>Total Fund Balances</b>	<b><u>1,208,337</u></b>	<b><u>628,535</u></b>	<b><u>344,031</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$1,236,120</u></b>	<b><u>\$652,318</u></b>	<b><u>\$437,558</u></b>

The notes to financial statements are an integral part of this statement.

**Other  
Non-Major  
Governmental  
Funds**

**Total  
Governmental  
Funds**

\$91,780

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\$91,780

\$2,236,438

13,466

60,060

107,812

\$2,417,776

\$ ---

---

---

---

\$ 37,389

95,630

12,074

145,093

---

---

91,780

91,780

\$91,780

1,434,545

499,925

338,213

2,272,683

\$2,417,776

**CAMBRIDGE TOWNSHIP**  
**Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds**  
**To Net Assets Of Governmental Activities On The Statement of Net Assets**  
**March 31, 2006**

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<b>Fund Balances – Total Governmental Funds</b>	<b>\$2,272,683</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
<b>Add:</b> Capital Assets	2,220,863
<b>Deduct:</b> Accumulated Depreciation	(1,012,918)
Revenue that has been billed as a receivable, but not collected until later years, was not reported in the funds.	
<b>Add:</b> Deferred Revenue	<u>12,074</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$3,492,702</u></b>

**CAMBRIDGE TOWNSHIP**  
**Governmental Funds**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**For The Year Ended March 31, 2006**

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Police Fund</b>
<b><u>REVENUES</u></b>			
Taxes and Assessments	\$ 232,396	\$ 163,551	\$203,582
Intergovernmental	314,742	---	11,663
State Grants	---	---	3,552
Licenses and Permits	90,245	---	---
Fines and Forfeitures	---	---	310,418
Charges for Services	113,716	93,306	12,000
Interest and Rentals	35,914	22,624	3,071
Other	40,988	55,481	2,049
<b>Total Revenue</b>	<u>828,001</u>	<u>334,962</u>	<u>546,335</u>
<b><u>EXPENDITURES</u></b>			
Current:			
General Government	359,401	---	---
Public Safety	76,993	264,742	335,503
Public Works	105,786	---	---
Community Economic Development	29,814	---	---
Recreation and Culture	900	---	---
Capital Outlay	13,961	437,488	4,729
Other Functions	28,935	---	---
<b>Total Expenditures</b>	<u>615,790</u>	<u>702,230</u>	<u>340,232</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	212,211	(367,268)	206,103
<b>Other Financing Sources (Uses)</b>			
Transfers In	---	---	32,002
Transfers (Out)	(32,002)	---	---
<b>Total Other Financing Sources (Uses)</b>	<u>(32,002)</u>	<u>---</u>	<u>32,002</u>
<b>Net Change In Fund Balances</b>	180,209	(367,268)	238,105
<b>Fund Balances – Beginning of Year</b>	<u>1,028,128</u>	<u>995,803</u>	<u>105,926</u>
<b>Fund Balances – End of Year</b>	<u>\$1,208,337</u>	<u>\$ 628,535</u>	<u>\$344,031</u>

The notes to financial statements are an integral part of this statement.

Other Non-Major Governmental Funds	Total Governmental Funds
\$ ---	\$ 599,529
---	326,405
---	3,552
---	90,245
---	310,418
---	219,022
2,269	63,878
---	98,518
<u>2,269</u>	<u>1,711,567</u>
---	359,401
---	677,238
---	105,786
---	29,814
---	900
---	456,178
---	28,935
<u>---</u>	<u>1,658,252</u>
2,269	53,315
---	---
<u>---</u>	<u>---</u>
---	---
2,269	53,315
<u>89,511</u>	<u>2,219,368</u>
<u>\$91,780</u>	<u>\$2,272,683</u>

**CAMBRIDGE TOWNSHIP**  
**Reconciliation Of The Statement Of Revenues, Expenditures,**  
**And Changes In Fund Balances Of Governmental Statement Of Activities**  
**March 31, 2006**

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**Net Change In Fund Balances – Total Governmental Funds**

\$ 53,315

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

**Add:** Capital Outlay

453,688

**Deduct:** Depreciation Expense

(90,643)

Revenue deferred on the governmental funds report, which has been charged to receivable and thus income on the statement of activities.

**Add:** Deferred Revenue other adjustments

3,055

**Change In Net Assets Of Governmental Activities**

\$419,415

**CAMBRIDGE TOWNSHIP**  
**Statement of Net Assets**  
**Proprietary Funds**  
**March 31, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>
	<b><u>Utilities Fund</u></b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 37,759
Accounts Receivable	67,652
Current Portion Special Assessment Receivable	<u>176,675</u>
<b>Total Current Assets</b>	<u>282,086</u>
Noncurrent Assets:	
Lenawee County Drain Commission	1,704,676
Property and Equipment - Net	5,011,766
Special Assessment Receivable - Net of Current Portion	<u>1,670,520</u>
<b>Total Noncurrent Assets</b>	<u>8,386,962</u>
<b>Total Assets</b>	<u><u>\$8,669,048</u></u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 63,296
Bonds and Note Payable Current Portion	<u>329,799</u>
<b>Total Current Liabilities</b>	<u>393,095</u>
Noncurrent Liabilities:	
Bonds and Note Payable	<u>3,101,290</u>
<b>Total Noncurrent Liabilities</b>	<u>3,101,290</u>
<b>Total Liabilities</b>	<u>3,494,385</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,580,677
Unrestricted	<u>3,593,986</u>
<b>Total Net Assets</b>	<u>5,174,663</u>
<b>Net Assets of Business-Type Activities on the Government-Wide Statement of Net Assets</b>	<u><u>\$8,669,048</u></u>

**CAMBRIDGE TOWNSHIP**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For The Year Ended March 31, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>
	<b><u>Utilities Fund</u></b>
<b>Operating Revenues</b>	
Charges for Services	\$ 368,984
Special Assessments	<u>604,268</u>
<b>Total Operating Revenues</b>	<u>973,252</u>
<b>Expenses</b>	
Administration/Maintenance	294,814
Depreciation	<u>122,961</u>
<b>Total Operating Expenses</b>	<u>417,775</u>
<b>Operating Income</b>	<u>555,477</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment Income	523
Interest Expense and Fiscal Charges	<u>(174,350)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(173,827)</u>
<b>Income</b>	381,650
<b>Net Assets, Beginning of Year</b>	<u>4,793,013</u>
<b>Net Assets, End of Year</b>	<u>\$5,174,663</u>

**CAMBRIDGE TOWNSHIP**  
**Reconciliation Of The Statement Of Revenues, Expenditures, To The Statement Of Activities**  
**March 31, 2006**

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<b>Change In Net Assets – All Enterprise Funds</b>	<b>\$381,650</b>
No additional adjustments	<u>---</u>
<b>Change In Net Assets Of Business-Type Activities</b>	<b><u>\$381,650</u></b>

**CAMBRIDGE TOWNSHIP**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended March 31, 2006**

	<b>Business-Type Activities</b>
	<b><u>Enterprise Funds</u></b>
	<b><u>Utilities Fund</u></b>
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 788,188
Cash Payment to Suppliers For Goods and Services/Employees	<u>(294,814)</u>
<b>Net Cash Provided (Used)</b>	<u>493,374</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Special Assessment Receivable	9,090
Bond Principal Payments	(328,298)
Bond Interest Payments	<u>(183,879)</u>
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(503,087)</u>
<b>Cash Flows From Investing Activities</b>	
Investment Income	<u>523</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>523</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(9,190)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>46,949</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 37,759</u>
<b>Reconciliation to Statement of Net Assets</b>	
Cash and Cash Equivalents	<u>\$ 37,759</u>

The accompanying notes are an integral part of this financial statement.

**CAMBRIDGE TOWNSHIP**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For The Year Ended March 31, 2006**

	<b><u>Business-Type Activities - Enterprise Funds</u></b>
	<b><u>Utilities Fund</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ 381,650
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	122,961
Changes in Assets and Liabilities:	
Accounts Receivable	(175,974)
Accounts Payable, Accrued Liabilities, Bonds Current Portion	<u>(8,028)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>320,609</u>
<b>Cash Flows From Financing Activities:</b>	
Principal Paid on Bonds	<u>(329,799)</u>
<b>Net Cash (Used) from Financing Activities</b>	<u>(329,799)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(9,190)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>46,949</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 37,759</u>

The accompanying notes are an integral part of this financial statement.

**CAMBRIDGE TOWNSHIP**  
**Fiduciary Funds – Statement of Net Assets**  
**March 31, 2006**

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	<b>Current Tax Collection Fund</b>	<b>Trust and Agency Fund</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$12,182	\$ 239
Cash and Cash Equivalents	<u>---</u>	<u>---</u>
<b>Total Assets</b>	<u>\$12,182</u>	<u>\$ 239</u>
<b><u>Liabilities</u></b>		
Due to Other Funds	\$12,182	\$ ---
Other Payables	<u>---</u>	<u>239</u>
<b>Total Liabilities</b>	<u>\$12,182</u>	<u>\$ 239</u>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Cambridge Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

**A. Reporting Entity**

Cambridge Township is governed by an elected board. The accompanying financial statements present the government for which government is considered to be financially accountable.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

**The General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**The Fire Fund** is a special revenue fund that receives monies for contractual services and charges for the purpose of providing fire protection and Advanced and Basic Life Support Services to the community.

**The Police Fund** is a special revenue fund that receives monies from property taxes and other contractual services for the purpose of providing police protection to the community.

The government reports the following major proprietary fund:

**The Utilities Fund** is a proprietary fund which accounts for activities of the government's waste water and water system.

Additionally, the government reports the following fund types:

The Cemetery Endowment Fund which is a permanent type fund for cemetery care, etc.

The Agency Funds account for assets held by the Township acting as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Assets, Liabilities, and Net Assets or Equity**

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Inventories** – All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. **Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

6. **Long-Term Obligations** - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
7. **Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

- A. **Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of March of each year, the Township Board proposes a budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Board of Trustees.

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

**B. Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2006, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Trustee Board	\$27,310	\$27,552	\$ 242
Assessing	46,605	50,523	3,918
Attorney	11,400	12,974	1,574
Capital Outlay	9,390	13,961	4,571
Public Safety:			
Fire:			
Fringe Benefits	75,500	77,410	1,910
Gas & Oil	7,500	7,689	189
Computer Services	7,525	7,532	7
Communication - Radio	5,300	5,822	522
Police:			
Gas & Oil	11,700	12,184	484
Utilities	4,200	4,208	8
Repairs & Maintenance	5,500	6,194	694
Insurance	21,700	22,081	381
Contractual Services	21,380	61,543	40,163
Capital Outlay	---	4,729	4,729

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Township are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Township or its agent in the Township's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

	<u>Category 1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Checking, Savings and Certificate of Deposits	<u>\$300,000</u>	<u>\$1,974,197</u>	\$ ---	<u>\$2,274,197</u>	<u>\$2,274,197</u>
	<u>\$300,000</u>	<u>\$1,974,197</u>	<u>\$ ---</u>	<u>\$2,274,197</u>	<u>\$2,274,197</u>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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**Balance Sheet Cash And Cash Investments**

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township's deposits are as follows:

<b><u>Deposits</u></b>	<b><u>Carrying Amount</u></b>
Insured (FDIC) (FSLIC)	\$ 300,000
Uninsured:	
Uncollateralized	<u>1,974,197</u>
<b>Total</b>	<b><u>\$2,274,197</u></b>

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

**Statement of Net Asset:**

Cash and Cash Equivalents	<u>\$2,274,197</u>
	<u>2,274,197</u>

**Statement of Fiduciary Net Asset:**

Agency Funds:	
Cash and Cash Equivalents	<u>12,421</u>
	<u>12,421</u>
	<b><u>\$2,286,618</u></b>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Decreases</u>	<u>Balance</u>
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 66,092	\$ ---	\$ ---	\$ 66,092
<b>Total Capital Assets Not Being Depreciated</b>	<u>66,092</u>	<u>---</u>	<u>---</u>	<u>66,092</u>
Capital Assets, Being Depreciated:				
Buildings	355,355	---	---	355,355
Vehicles	951,214	435,688	---	1,386,902
Equipment	<u>394,731</u>	<u>17,783</u>	<u>---</u>	<u>412,514</u>
<b>Total Capital Assets Being Depreciated</b>	<u>1,701,300</u>	<u>453,471</u>	<u>---</u>	<u>2,154,771</u>
Less Accumulated Depreciation For:				
Buildings	(169,544)	(8,221)	---	(177,765)
Vehicles	(554,230)	(56,086)	---	(610,316)
Equipment	<u>(198,501)</u>	<u>(26,336)</u>	<u>---</u>	<u>(224,837)</u>
<b>Total Accumulated Depreciation</b>	<u>(922,275)</u>	<u>(90,643)</u>	<u>---</u>	<u>(1,012,918)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>779,025</u>	<u>362,828</u>	<u>---</u>	<u>1,141,853</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 845,117</u>	<u>\$ 362,828</u>	<u>\$ ---</u>	<u>\$ 1,207,945</u>
<b><u>Business-Type Activities</u></b>				
Capital Assets, Being Depreciated:				
Sewer and Water System	\$ 6,148,071	\$ ---	\$ ---	\$ 6,148,071
<b>Total Capital Assets Being Depreciated</b>	<u>6,148,071</u>	<u>---</u>	<u>---</u>	<u>6,148,071</u>
Less Accumulated Depreciation For:				
Sewer and Water System	(1,013,344)	(122,961)	---	(1,136,305)
<b>Total Accumulated Depreciation</b>	<u>(1,013,344)</u>	<u>(122,961)</u>	<u>---</u>	<u>(1,136,305)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>5,134,727</u>	<u>(122,961)</u>	<u>---</u>	<u>5,011,766</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 5,134,727</u>	<u>\$ (122,961)</u>	<u>\$ ---</u>	<u>\$ 5,011,766</u>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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Depreciation expense was charged to functions/programs of the Township as follows:

**Governmental Activities:**

General Government	\$ 12,456
Public Safety	<u>78,187</u>

<b>Total Depreciation Expense Governmental Activities</b>	<b><u>\$ 90,643</u></b>
---	-------------------------

**Business-Type Activities:**

Utilities	<u>\$122,961</u>
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<b>Total Depreciation Expense Business-Type Activities</b>	<b><u>\$122,961</u></b>
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**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES**

At March 31, 2006, the following were interfund receivables and payables in the fund statement.

<b><u>Fund</u></b>	<b><u>Interfund Receivables</u></b>	<b><u>Interfund Payables</u></b>
General	\$104,810	\$ ---
Fire	3,002	15,214
Police	---	80,016
Other Agency Funds	<u>---</u>	<u>12,582</u>
<b>Total</b>	<b><u>\$107,812</u></b>	<b><u>\$107,812</u></b>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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**NOTE 6 – TRANSFERS BETWEEN FUNDS**

At March 31, 2006, the following transfers were made between funds:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ ---	\$32,002
Police	<u>32,002</u>	<u>---</u>
<b>Total</b>	<b><u>\$32,002</u></b>	<b><u>\$32,002</u></b>

**NOTE 7 – PROPERTY TAXES**

The Township bills and collects property taxes and also taxes for the County and several School Districts within its jurisdiction. Collections and remittances of the County and School taxes are accounted for in the Current Tax Collection Agency Fund. Township property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

Property taxes attach as an enforceable lien on the property as of January 1.

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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**NOTE 8 – LONG TERM DEBT**

The Township has two notes payable at Onsted State Savings Bank used for construction improvements.

Purpose: Construction - Wells  
Date of Note: June 21, 1999  
Interest Rate: 5.75% fixed  
Interest Payable: Annual on June 21<sup>st</sup>  
Original Amount of Issue: \$80,000

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2006	\$ 4,899	\$ 3,204	\$ 8,103
2007	5,181	2,922	8,103
2008	5,479	2,624	8,103
2009	5,794	2,309	8,103
2010	6,127	1,976	8,103
2011	6,479	1,624	8,103
2012	6,852	1,251	8,103
2013	7,246	857	8,103
2014	7,662	441	8,103
<b>Total</b>	<b><u>\$55,719</u></b>	<b><u>\$17,208</u></b>	<b><u>\$72,927</u></b>

Purpose: Construction - Wells  
Date of Note: February 15, 2000  
Interest Rate: 7.0% fixed  
Interest Payable: Annual on February 15<sup>th</sup>  
Original Amount of Issue: \$316,000

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2007	\$ 18,872	\$15,823	\$ 34,695
2008	20,193	14,502	34,695
2009	21,606	13,089	34,695
2010	23,119	11,576	34,695
2011	24,737	9,958	34,695
2012	26,469	8,226	34,695
2013	28,322	6,373	34,695
2014	30,304	4,391	34,695
2015	32,425	2,270	34,695
<b>Total</b>	<b><u>\$226,047</u></b>	<b><u>\$86,208</u></b>	<b><u>\$312,255</u></b>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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Bonds Payable - Lenawee County Sewage Disposal Bonds - Sewer/Cambridge/Franklin used for construction of sewer system. Amount applicable to Cambridge Township 48%. Total issue \$3,890,000 of which Cambridge is \$1,867,200.

Purpose: Construction Sewer  
Date of Bond: June 1, 1996  
Interest Rate: 7.125% to 4.5%  
Interest Payable: November 1<sup>st</sup>, May 1<sup>st</sup>  
Original Amount of Issue: \$1,867,200

<u>Dates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
May 1, 2006	\$ 98,400	\$ 24,968	\$ 123,368
November 1, 2006	---	21,278	21,278
May 1, 2007	98,400	21,278	119,678
November 1, 2007	---	17,982	17,982
May 1, 2008	98,400	17,982	116,382
November 1, 2008	---	15,768	15,768
May 1, 2009	98,400	15,768	114,168
November 1, 2009	---	13,554	13,554
May 1, 2010	93,600	13,554	107,154
November 1, 2010	---	11,448	11,448
May 1, 2011	93,600	11,448	105,048
November 1, 2011	---	9,342	9,342
May 1, 2012	91,200	9,342	100,542
November 1, 2012	---	7,290	7,290
May 1, 2013	88,800	7,290	96,090
November 1, 2013	---	5,292	5,292
May 1, 2014	108,000	5,292	113,292
November 1, 2014	---	2,862	2,862
May 1, 2015	<u>127,200</u>	<u>2,862</u>	<u>130,062</u>
<b>Total</b>	<u><b>\$996,000</b></u>	<u><b>\$234,600</b></u>	<u><b>\$1,230,600</b></u>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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Bonds Payable - Lenawee County Sewage Disposal Bonds - Wamplers Lake used for construction of sewer system. Amount applicable to Cambridge Township 54.6%. Total issue \$5,000,000 of which Cambridge is \$2,730,000.

Purpose: Construction Sewer  
Date of Bond: May 1, 1995  
Interest Rate: 7.75% to 5.0%  
Interest Payable: November 1<sup>st</sup>, May 1<sup>st</sup>  
Original Amount of Issue: \$2,730,000

<u>Dates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
May 1, 2006	\$ 150,150	\$ 33,784	\$ 183,934
November 1, 2006	---	30,030	30,030
May 1, 2007	155,610	30,030	185,640
November 1, 2007	---	26,140	26,140
May 1, 2008	163,800	26,140	189,940
November 1, 2008	---	22,045	22,045
May 1, 2009	163,800	22,045	185,845
November 1, 2009	---	17,950	17,950
May 1, 2010	174,720	17,950	192,670
November 1, 2010	---	13,582	13,582
May 1, 2011	174,720	13,582	188,302
November 1, 2011	---	9,214	9,214
May 1, 2012	180,180	9,214	189,394
November 1, 2012	---	4,709	4,709
May 1, 2013	188,370	4,709	193,079
<b>Total</b>	<u>\$1,351,350</u>	<u>\$281,124</u>	<u>\$1,632,474</u>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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Bonds Payable - Lenawee County Water Supply Bonds - South Shore Water Supply System Improvements.

Purpose: Construction of Water Supply System

Date of Bond: July 1, 1997

Interest Rate: 7.0% to 5.0%

Interest Payable: November 1<sup>st</sup>, May 1<sup>st</sup>

Original Amount of Issue: \$850,000

<u>Dates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
May 1, 2006	\$ 45,000	\$ 12,896	\$ 57,896
November 1, 2006	---	11,749	11,749
May 1, 2007	45,000	11,749	56,749
November 1, 2007	---	10,590	10,590
May 1, 2008	45,000	10,590	55,590
November 1, 2008	---	9,420	9,420
May 1, 2009	45,000	9,420	54,420
November 1, 2009	---	8,250	8,250
May 1, 2010	45,000	8,250	53,250
November 1, 2010	---	7,125	7,125
May 1, 2011	45,000	7,125	52,125
November 1, 2011	---	6,000	6,000
May 1, 2012	45,000	6,000	51,000
November 1, 2012	---	4,875	4,875
May 1, 2013	45,000	4,875	49,875
November 1, 2013	---	3,750	3,750
May 1, 2014	50,000	3,750	53,750
November 1, 2014	---	2,500	2,500
May 1, 2015	50,000	2,500	52,500
November 1, 2015	---	1,250	1,250
May 1, 2016	50,000	1,250	51,250
<b>Total</b>	<u>\$510,000</u>	<u>\$143,914</u>	<u>\$653,914</u>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

Bonds Payable - County of Jackson Waste Water Disposal Facility Bonds (Vineyard Lake). Amount applicable to Cambridge Township 4.991%. Total issue \$6,100,000 of which Cambridge is \$304,451.

Purpose: Construction Sewer  
Date of Bond: November 1, 2003  
Interest Rate: 2.76% - 4.50%  
Interest Payable: April 1<sup>st</sup>, October 1<sup>st</sup>  
Original Amount of Issue: \$304,451

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2006	\$ 12,478	\$ 10,996	\$ 23,474
2007	12,478	10,622	23,100
2008	12,478	10,295	22,773
2009	14,973	9,889	24,862
2010	14,973	9,412	24,385
2011	14,973	8,925	23,898
2012	14,973	8,420	23,393
2013	14,973	7,886	22,859
2014	17,469	7,266	24,735
2015	17,469	6,567	24,036
2016	17,469	5,868	23,337
2017	17,469	5,159	22,628
2018	17,469	4,431	21,900
2019	17,469	3,693	21,162
2020	18,715	2,913	21,628
2021	18,715	2,094	20,809
2022	18,715	1,263	19,978
2023	18,715	421	19,136
<b>Total</b>	<u>\$291,973</u>	<u>\$116,120</u>	<u>\$408,093</u>

Debt service requirements over next five years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 329,799	\$164,728
2008	336,763	145,815
2009	346,763	127,953
2010	351,086	100,872
2011	344,536	77,218
Thereafter	<u>1,722,142</u>	<u>262,588</u>
<b>Total</b>	<u>\$3,431,089</u>	<u>\$879,174</u>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2006**

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**NOTE 9 – OTHER INFORMATION**

**Risk Management**

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**NOTE 10 – NET ASSETS – GOVERNMENTAL ACTIVITIES**

Net assets are comprised of the following:

**Governmental Activities:**

Invested in Capital Assets, Net of Related Debt	\$1,207,945
Unrestricted - Designated For Building	499,925
Restricted - Cemetery Endowment	91,780
Restricted - Police - Drug Enforcement	246,433
Unrestricted	<u>1,446,619</u>
	<u>\$3,492,702</u>

**CAMBRIDGE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>				
<b>Resources (Inflows)</b>	\$ 50,000	\$ 50,000	\$1,028,128	\$ 978,128
Taxes and Assessments	220,145	220,145	232,396	12,251
Intergovernmental	293,500	293,500	314,742	21,242
Licenses and Permits	79,500	79,500	90,245	10,745
Charges for Services	140,800	140,800	113,716	(27,084)
Interest and Rentals	9,000	9,000	35,914	26,914
Other	21,000	21,000	29,944	8,944
Transfer In	1,200	1,200	11,044	9,844
<b>Amounts Available for Appropriation</b>	<u>815,145</u>	<u>815,145</u>	<u>1,856,129</u>	<u>1,040,984</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
<b>General Government</b>				
Trustee Board	26,000	27,310	27,552	(242)
Township Supervisor	31,700	31,700	29,816	1,884
Treasurer	53,000	53,000	47,763	5,237
Assessing	46,500	46,605	50,523	(3,918)
Clerk	44,000	44,000	42,025	1,975
Elections	4,100	4,100	634	3,466
Attorney and Auditing	13,500	15,775	17,349	(1,574)
Cemetery	29,200	29,200	22,228	6,972
Board of Review	2,900	2,900	2,555	345
Township Hall	124,500	136,800	118,956	17,844
<b>Public Safety</b>				
Inspections	81,300	84,900	76,993	7,907
<b>Community Economic Development</b>				
Planning and Zoning	32,000	33,400	29,814	3,586
<b>Public Works</b>				
Road and Maintenance	185,045	185,045	105,786	79,259
<b>Recreation and Culture</b>				
Community - Senior Citizens	900	1,900	900	1,000
DOA District, etc.	3,200	2,200	---	2,200
Library	3,500	3,500	---	3,500
<b>Capital Outlay</b>	10,000	9,390	13,961	(4,571)
<b>Other Functions</b>	48,200	27,820	28,935	(1,115)
<b>Transfer Out</b>	<u>75,600</u>	<u>75,600</u>	<u>32,002</u>	<u>43,598</u>
<b>Total Charges to Appropriations</b>	<u>815,145</u>	<u>815,145</u>	<u>647,792</u>	<u>167,353</u>
<b>Ending of Year Fund Balance</b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$1,208,337</u>	<u>\$1,208,337</u>

The notes to financial statements are an integral part of this statement.

**CAMBRIDGE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Fire Fund (Major Special Revenue Funds)**  
**For The Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>	\$440,000	\$440,000	\$ 995,803	\$555,803
<b><u>Resources (Inflows)</u></b>				
Taxes	174,800	174,800	163,551	(11,249)
Interest	10,000	10,000	22,624	12,624
Contractual Services	88,200	88,200	93,306	5,106
Miscellaneous	45,000	45,000	55,481	10,481
 <b>Amounts Available for     Appropriation</b>	 <u>758,000</u>	 <u>758,000</u>	 <u>1,330,765</u>	 <u>572,765</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
<b><u>Public Safety</u></b>				
Salaries and Wages	100,000	100,000	88,251	11,749
Fringe Benefits	8,500	8,500	6,921	1,579
Operating Supplies	62,500	75,500	77,410	(1,910)
Uniforms	3,000	3,000	329	2,671
Gas and Oil	6,000	7,500	7,689	(189)
Utilities	12,800	15,300	13,720	1,580
Repairs and Maintenance	10,000	14,200	10,777	3,423
Insurance	31,500	31,500	27,528	3,972
Dues and Publications	1,000	1,000	605	395
Computer Services	4,000	7,525	7,532	(7)
Communication - Radio	2,500	5,300	5,822	(522)
Education	8,000	8,700	8,633	67
Ambulance	8,000	1,100	---	1,100
Community Promotion	4,000	4,000	4,000	---
Other	39,200	36,375	5,525	30,850
Capital Outlay	457,000	438,500	437,488	1,012
 <b>Total Charges to Appropriations</b>	 <u>758,000</u>	 <u>758,000</u>	 <u>702,230</u>	 <u>55,770</u>
 <b>Ending of Year Fund Balance</b>	 <u>\$ ---</u>	 <u>\$ ---</u>	 <u>\$ 628,535</u>	 <u>\$516,995</u>

**CAMBRIDGE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Police Fund (Major Special Revenue Funds)**  
**For The Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>	\$ 12,000	\$ 12,000	\$105,926	\$ 93,926
<b><u>Resources (Inflows)</u></b>				
Taxes	174,800	174,800	203,582	28,782
Intergovernmental	4,500	4,500	11,663	7,163
Interest	800	800	3,071	2,271
Contractual Services	12,000	12,000	12,000	---
Miscellaneous	500	1,000	5,601	4,601
Fines & Forfeits	15,500	15,000	310,418	295,418
Transfer In	75,600	75,600	32,002	(43,598)
<b><u>Amounts Available for Appropriation</u></b>	<u>295,700</u>	<u>295,700</u>	<u>684,263</u>	<u>388,563</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
<b><u>Public Safety</u></b>				
Salaries and Wages	138,400	158,000	157,909	91
Fringe Benefits	52,900	53,200	51,822	1,378
Operating Supplies	10,000	12,250	11,826	424
Uniforms	1,500	1,750	1,746	4
Gas and Oil	8,000	11,700	12,184	(484)
Utilities	3,400	4,200	4,208	(8)
Repairs and Maintenance	6,000	5,500	6,194	(694)
Insurance	24,000	21,700	22,081	(381)
Contractual Services	23,000	21,380	61,543	(40,163)
Communication - Radio	2,500	1,700	1,681	19
Education	3,500	4,300	4,289	11
Other	21,500	20	20	---
Capital Outlay	1,000	---	4,729	(4,729)
<b><u>Total Charges to Appropriations</u></b>	<u>295,700</u>	<u>295,700</u>	<u>340,232</u>	<u>(44,532)</u>
<b><u>Ending of Year Fund Balance</u></b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$344,031</u>	<u>\$344,031</u>

**CAMBRIDGE TOWNSHIP  
Combining Balance Sheet  
Non-Major Governmental Funds  
March 31, 2006**

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	<b>Permanent Fund</b>	<b>Total Non-Major Governmental Funds</b>
	<b><u>Cemetery Endowment</u></b>	
<b><u>Assets</u></b>		
Cash	<u>\$91,780</u>	<u>\$91,780</u>
<b>Total Assets</b>	<u>\$91,780</u>	<u>\$91,780</u>
<b><u>Fund Balance</u></b>	<u>91,780</u>	<u>91,780</u>
<b>Total Fund Balances</b>	<u>\$91,780</u>	<u>\$91,780</u>

**CAMBRIDGE TOWNSHIP**  
**Combining Statement of Revenues, Expenditures and Changes In Fund Balance**  
**Non-Major Governmental Funds**  
**For The Year Ended March 31, 2006**

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	<b><u>Permanent Fund  Cemetery Endowment</u></b>	<b><u>Total Non-Major Governmental Funds</u></b>
<b><u>Revenues:</u></b>		
Interest & Rents	<u>\$ 2,269</u>	<u>\$ 2,269</u>
<b>Total Revenue</b>	<u>2,269</u>	<u>2,269</u>
<b><u>Other Financing Sources</u></b>		
<b><u>(Uses):</u></b>		
Operating Transfers In	---	---
Operating Transfers (Out)	<u>---</u>	<u>---</u>
<b>Total Other Financing Sources (Uses)</b>	<u>---</u>	<u>---</u>
<b><u>Excess of Revenues and Other Sources Over (Under) (Expenditures and Other Uses</u></b>	<u>2,269</u>	<u>2,269</u>
<b><u>Beginning Fund Balance</u></b>	<u>89,511</u>	<u>89,511</u>
<b><u>Ending Fund Balance</u></b>	<u>\$91,780</u>	<u>\$91,780</u>

# PHILIP R. RUBLEY

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'S  
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

May 16, 2006

**Township Board  
Cambridge Township  
Lenawee County  
Cement City, Michigan 49233**

We have examined the combined financial statements of the Cambridge Township and the combining, individual fund and account group financial statements of the Township as of and for the year ended March 31, 2006 and have issued our report thereon dated May 16, 2006. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended March 31, 2006, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

## **1. POSTING OF ACTIVITY TO GENERAL LEDGER**

Be sure that all activity for the year gets posted at year end, for easier reconciliation of bank accounts, etc.

2. **FIXED ASSETS - CAPITAL**

It will be necessary for the Township to establish and maintain records for acquisition and disposal of the Township's depreciation threshold of \$1500.

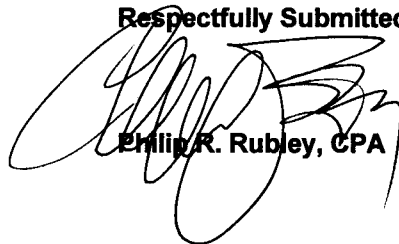
3. **POLICE CONTRACT**

Consider updating your present police contract which has expired.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated May 16, 2006, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Philip R. Rubley', is written over the printed name.

Philip R. Rubley, CPA